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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/697,541	10/30/2003	Alan M. Buckwalter	G08,047/U	7586
28962	7590	01/06/2009		
BUCKLEY, MASCHOFF & TALWALKAR LLC				
50 LOCUST AVENUE				
NEW CANAAN, CT 06840				
EXAMINER				
MERCHANT, SHAHID R				
ART UNIT		PAPER NUMBER		
3692				
MAIL DATE		DELIVERY MODE		
01/06/2009		PAPER		

**Please find below and/or attached an Office communication concerning this application or proceeding.**

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**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Application Number: 10/697,541  
Filing Date: October 30, 2003  
Appellant(s): BUCKWALTER ET AL.

\_\_\_\_\_  
Nathaniel Levin (Reg. 34,860)  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed October 20, 2008 appealing from the Office action mailed May 22, 2008.

**(1) Real Party in Interest**

A statement identifying by name the real party in interest is contained in the brief.

**(2) Related Appeals and Interferences**

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

**(3) Status of Claims**

The statement of the status of claims contained in the brief is correct.

**(4) Status of Amendments After Final**

No amendment after final has been filed.

**(5) Summary of Claimed Subject Matter**

The summary of claimed subject matter contained in the brief is correct.

**(6) Grounds of Rejection to be Reviewed on Appeal**

The appellant's statement of the grounds of rejection to be reviewed on appeal is substantially correct. The changes are as follows: Claims 1, 7-9, 13-14 and 20-27 rejected under 35 U.S.C. § 101.

**NEW GROUND(S) OF REJECTION**

***Claim Rejections - 35 USC § 101***

Claims 1, 7-9, 13-14 and 20-27 are rejected under 35 U.S.C. 101. Based on Supreme Court precedent and recent Federal Circuit decisions, the Office's guidance to examiners is that a § 101 process must (1) be tied to a machine or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. In

re Bilski et al, 88 USPQ 2d 1385 CAFC (2008); Diamond v. Diehr, 450 U.S. 175, 184 (1981); Parker v. Flook, 437 U.S. 584, 588 n.9 (1978); Gottschalk v. Benson, 409 U.S. 63, 70 (1972); Cochrane v. Deener, 94 U.S. 780,787-88 (1876).

An example of a method claim that would not qualify as a statutory process would be a claim that recited purely mental steps. Thus, to qualify as a § 101 statutory process, the claim should positively recite the other statutory class (the thing or product) to which it is tied, for example by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Here, applicant's method steps fail the first prong of the new Federal Circuit decision since they are not tied to a machine and can be performed without the use of a particular machine. Thus, claims 1, 7-9, 13-14 and 20-27 are non-statutory since they may be performed within the human mind.

The mere recitation of the machine in the preamble with an absence of a machine in the body of the claim fails to make the claim statutory under 35 USC 101. Note the Board of Patent Appeals Informative Opinion *Ex parte* Langemyr.

#### **(7) Claims Appendix**

The copy of the appealed claims contained in the Appendix to the brief is correct.

#### **(8) Evidence Relied Upon**

Rule 11Ac1-5, Jonathan Katz, U.S. Securities and Exchange Commission, November 17, 2000, pages 1-68.

Rule 11Ac1-7, Jonathan Katz, U.S. Securities and Exchange Commission, November 17, 2000, pages 1-66.

## **(9) Grounds of Rejection**

The following ground(s) of rejection are applicable to the appealed claims:

### ***Claim Rejections - 35 USC § 101***

1. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

2. Claims 1, 7-9, 13-14 and 20-27 are rejected under 35 U.S.C. 101. Based on Supreme Court precedent and recent Federal Circuit decisions, the Office's guidance to examiners is that a § 101 process must (1) be tied to a machine or (2) transform underlying subject matter (such as an article or materials) to a different state or thing. In *re Bilski et al*, 88 USPQ 2d 1385 CAFC (2008); *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780,787-88 (1876).

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method steps, or positively recite the subject matter that is being transformed, for example by identifying the material that is being changed to a different state.

Here, applicant's method steps fail the first prong of the new Federal Circuit decision since they are not tied to a machine and can be performed without the use of a particular machine. Thus, claims 1, 7-9, 13-14 and 20-27 are non-statutory since they may be performed within the human mind.

The mere recitation of the machine in the preamble with an absence of a machine in the body of the claim fails to make the claim statutory under 35 USC 101. Note the Board of Patent Appeals Informative Opinion *Ex parte* Langemyr.

### ***Claim Rejections - 35 USC § 103***

3. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

4. Claims 1, 7-9, 13-14, 20-27, 35 and 39 rejected under 35 U.S.C. 103(a) as being unpatentable over Nordlicht et al., U.S. Patent Application Publication 2002/0194115 (see PTO-892, Ref. A) in view of Securities Exchange Act of 1934, Rules 11Ac1-5 and 11Ac1-7 (see PTO-892, Refs. U and V). Hereinafter Exchange Act.

5. As per claim 1, Nordlicht teaches a method comprising:

identifying an option limit order, said option limit order including information identifying a customer, information identifying a desired option, and information that indicates a limit price for said option limit order (see paragraphs 48 and 85);

receiving a substantially real time feed of option market data (see paragraphs 9-15).

Nordlicht does not explicitly teach using the option market data in real time to identify a trade-through transaction relevant to said option limit order, said identifying occurring at a time prior to said option limit order being fully executed, deleted or canceled.

Exchange Act teaches using the option market data in real time to identify a trade-through transaction relevant to said option limit order, said identifying occurring at a time prior to said option limit order being fully executed, deleted or canceled (see Ref. U, page 22 and Ref. V, pages 8, 9, 10, 14, 27, 28, 31, 33 and 35). Rules 11Ac1-5 and 11Ac1-7 of the Securities Exchange Act of 1934 focus on various information that must be provided to a customer regarding their orders. Rule 11Ac1-5 requires market centers to make available to the public monthly electronic reports that include statistical measures of execution quality. Rule 11Ac1-7 requires a broker to disclose to its customer when an order placed by the customer is executed at an inferior price to a better published price on another market at that same instant.

Therefore, it would be prima facie obvious to a person of ordinary skill in the art at the time of the invention to combine the teachings of Nordlicht and Exchange Act to

identify a trade-through transaction relevant to an option order because it is a required disclosure by the U.S. Securities and Exchange Commission (see Ref. U and V).

6. As per claim 7, Nordlicht and Exchange Act teach the method of claim 1 as described above. Nordlicht further teaches comprising: using the identified at least one of a trade-through transaction and a trade-at transaction to tabulate at least one of trade-through data and trade-at data for a plurality of option limit orders placed by the customer; tabulating fulfillment data for the plurality of option limit orders placed by the customer; and comparing the tabulated fulfillment data to the tabulated at least one of trade-through data and trade-at data (see paragraphs 82-83, 139 and Figure 7A).

7. As per claim 8, see paragraph 3 above of this Office Action.

8. As per claim 9, Nordlicht and Exchange Act teach the method of claim 1 as described above. Nordlicht further teaches wherein the identifying the option limit order includes receiving the option limit order (see paragraph 85).

9. As per claim 13, Nordlicht and Exchange Act teach the method of claim 1 as described above. Nordlicht further teaches wherein said information identifying a desired option further includes: a type of said order, a security underlyer, an option expiration date, and a size of said order (see paragraphs 3 and 85).

10. As per claim 14, Nordlicht and Exchange Act teach the method of claim 1 as described above. Nordlicht further teaches comprising: disregarding the identified at least one of a trade-through transaction and a trade-at transaction in response to a market condition in effect at a time of the transaction (see paragraph 86).

11. As per claim 20, Nordlicht teaches a method comprising:

receiving a plurality of option limit orders, each of said option limit orders including information identifying a respective desired option, and information that indicates a respective limit price for said option limit order (see paragraph 85);

tabulating data for the plurality of option limit orders (see paragraphs 82-83, 139 and Figure 7A);

tabulating fulfillment data for the plurality of option limit orders (see paragraphs 82-83, 139 and Figure 7A); and

comparing the tabulated fulfillment data to the tabulated data (see paragraphs 82-83, 139 and Figure 7A).

Nordlicht does not explicitly teach about tabulating trade-through data.

Exchange Act teaches identifying a trade-through transaction.

Therefore, it would be prima facie obvious to a person of ordinary skill in the art at the time of the invention to combine the teachings of Nordlicht and Exchange Act teaches to tabulate trade-through data because it would allow one to identify when a customer is not getting the best price as taught by Exchange Act.

Official Notice is taken that tabulating data in rows and columns for the purpose of displaying data and information to a user in an easy to read format is old and well known in the arts.

12. As per claim 21, see paragraph 3 above of this Office Action.

13. As per claim 22, Nordlicht and Exchange Act teach the method of claim 20 as described above. Nordlicht further teaches wherein the tabulating at least one of trade-

through data and trade-at data includes purging cancelled transactions (see paragraph 139).

14. As per claim 23, Nordlicht and Exchange Act teach the method of claim 20 as described above. Nordlicht further teaches wherein the at least one of trade-through data and trade-at data corresponds only to transactions occurring on a leading exchange (see paragraph 3). Data gathered under Rule 11Ac1-7 would provide information regarding transactions occurring on a leading exchange.

15. As per claim 24, Nordlicht and Exchange Act teach the method of claim 20 as described above. Nordlicht further teaches wherein the tabulating at least one of trade-through and trade-at data includes carrying over open option limit orders from a previous trading day (see paragraphs 51-56).

16. As per claim 25, Nordlicht and Exchange Act teach the method of claim 20 as described above. Nordlicht further teaches wherein the tabulating at least one of trade-through data and trade at data includes tabulating at least one of trade-through data and trade-at data that pertains to a single customer (see paragraphs 138-139).

17. As per claim 26, Nordlicht and Exchange Act teach the method of claim 20 as described above. Nordlicht further teaches wherein the tabulating at least one of trade-through data and trade at data includes tabulating at least one of trade-through data and trade-at data that pertains to option limit orders routed to a single exchange (see paragraphs 34-49). Data gathered under Rule 11Ac1-7 would provide information regarding transactions routed to a single exchange.

18. As per claim 27, Nordlicht and Exchange Act teach the method of claim 20 as described above. Nordlicht further teaches wherein the tabulating at least one of trade-through data and trade-at data and the tabulating fulfillment data are performed with respect to each trading day (see paragraphs 138-139).

19. Claims 35 and 39 recite similar limitations to claim 20 and thus rejected using the same art and rationale in the rejection of claim 20 as set forth above (see also paragraphs 29-33).

#### **(10) Response to Argument**

In response to Appellants argument on page 8 that Nordlicht fails to show certain features of applicant's invention, it is noted that the features upon which applicant relies (i.e., plural, unlinked exchanges) are not recited in the rejected claim(s). Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

In response to applicant's argument on pages 8-10 that there is no suggestion to combine the references, the examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988), *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992) and KSR

International Co. v. Teleflex Inc., 550 USPQ2d 1385 (2007). In this case, Final Rejection (page 6, lines 1-4) mailed May 22, 2008, Examiner's reason for combining Nordlicht with Exchange Act is:

Therefore, it would be prima facie obvious to a person of ordinary skill in the art at the time of the invention to combine the teachings of Nordlicht and Exchange Act to identify a trade-through transaction relevant to an option order because it is a required disclosure by the U.S. Securities and Exchange Commission (see Ref. U and V).

Appellant argues on page 9 that "Reference V only teaches that trade-throughs are to be disclosed to the customer by the time that settlement takes place-i.e., well after execution." Appellant's claim 1 recites "... identifying said at least one of a trade-through transaction...occurring at a time prior...order being fully executed..." MPEP § 2111 [R-5] states "claims must be given their broadest reasonable interpretation consistent with the specification." Consistent with MPEP § 2111 [R-5] Examiner interprets the term "fully executed" as meaning execution and settlement/ completion of transaction has occurred. In other words, the term "fully executed" is interpreted to mean that a trade has executed at an exchange and has been settled/ completed. The prior art, Exchange Act (page 31, paragraph 3), teaches that a broker must disclose to its customer trade-through transactions prior to settlement/ completion of transaction as shown below.

#### A. Costs and Benefits of the Trade-Through Disclosure Rule

Under the Trade-Through Disclosure Rule, a broker generally will be required to disclose to its customer, in writing at or before the completion of the transaction, when the customer's order for listed options was executed at a price inferior to a better published quote and the better published quote available at that time.<sup>172</sup> A broker-dealer will not be required to make this disclosure if any of the four exceptions to the definition of a trade-through apply, which include when: (1) the market on which the order is executed has verified that the market publishing the better price is experiencing systems problems, which make the quote inaccessible; (2) OPRA is experiencing queuing; (3) the market publishing the better price is relieved of its obligations to publish firm quotes; or (4) the market publishing the better quote fails to respond to an order routed to it within 30 seconds.

Examiner reviewed the original disclosure filed by Appellant on October 30, 2003 and could not find a clear and explicit definition of "fully executed."

Appellant argues on page 10, section IV that Nordlicht does not disclose or discuss trade-at/ trade-through data. Further, Appellant argues that Nordlicht cannot possibly teach or suggest "comparing such data with another kind of data." Examiner acknowledges that Nordlicht does not disclose or discuss trade-at/ trade-through data (see rejection of claim 1, Final Office Action mailed on May 22, 2008). Examiner combined Nordlicht with Exchange Act to identify a trade-through transactions (see pages 5-6 of Final Office Action mailed on May 22, 2007). Next, Nordlicht displays, tabulates and compares transaction data in Figure 7A and in paragraphs 82-83 as shown below.

[0082] FIG. 7 depicts exemplary information that would be displayed in a view market window. The entries in this window may be sorted and filtered according to various criteria selected by the trader 50 using various techniques, such as the multi-layered pull-down menus illustrated in FIG. 3. Similarly, a history view window can be generated depicting trade history of one particular trader filtered for a particular date (i.e. 1/1/00), including all the relevant information regarding the trade. The trades illustrated in the history view can be selected and dragged into other windows, where functionally logical, toward placing a similar order in the active market.

[0083] In general, a new row is added to the bottom of a window each time an update is received by trader client 200 from market server 101, unless an instrument's CSL is already in the visible portion of the window, in which case the CSL updates in place within the window. For each window, detailed information (ODS 600, OEC, ESL 602 and MDMs 604) may be viewed for each trade, as well as summary-only information. A view of the orders can also be sorted or filtered based on various parameters including option type, hedging information (expiration date, strike price, ask price, bid price). The view may also show summaries for all markets, or be filtered to show only markets where the trader has orders, or only markets where the user has orders at the money. The times displayed in these windows are relative to the time zone of market server 101. Orders displayed in these windows may be dragged and dropped into other windows where such transfer makes functional sense.

Also, Nordlicht mentions in several places the act of comparing data (see paragraphs 58, 86 and 137) as shown below.

[0058] In one embodiment, each Firm F in market server 101 has a Counterparty List (CL) that consists of other Firms F1, F2, ... Fn that firm F may accept as potential counterparties to a trade. Thus, each market bid in the bid queues is associated with the submitting trader 50 and the submitting trader's Firm. Then, the market server may compare both the best bid/best ask and the Firm for any one offer. Even if the Right Price Queuing Rule indicates that two orders should trade, each party must also be in the other's Counterparty List. So, if the best bid firm does not have the best ask

firm in its counterparty list or the best ask firm does not have the best bid firm in its counterparty list, the trade will not execute. This is known as the "Right Credit Counterparty Rule."

[0086] When a quote, order or market summary line is selected, the trader may double-click on that entry prompting trader client 200 to display an order entry card (FIG. 4) window automatically populated by trader client 200 with values calculated to optimally execute against the selected quote or order. The order entry window also provides means for the trade to hit the bid, lift the offer, change a bid price or quantity, change an ask price or quantity and/or save the order to the "potential order" window 238. Once one of the actions above is selected, the trader is then presented with a detailed display of the order to be submitted, which is reviewed and modified as desired and then the trader specifies the submit, replace, kill, or potential order actions.

[0137] Trader client 200 may also provide an API for a user to send the details of a potential order prior to submission to a third party analytics package. The third party package can calculate a bid and ask price then can be inserted into the order details. The user may then review the results, and submit the order.

Appellant argues on page 10, section V that an order to be submitted by a trader is completely different from a trade-at/trade-through transaction. Examiner disagrees. An order placed by a trader can end up being a trade-at/trade-through transaction. Therefore, they would not be completely different as argued by Appellant. Next, Appellant argues that killing an order is not analogous to disregarding a trade-at/trade-through transaction. Examiner disagrees. If a transaction appears to be a trade-at/trade-through transaction, the trader has the option of "disregarding" or killing the transaction so it does not happen. Next, Appellant argues that there is no suggestion in Nordlicht that the killing of an order is in response to a market condition. Examiner disagrees. An order can be killed because the price might not be high enough. The price of an option is a market condition, and therefore killing an order in response to the current market price would read on the limitation "in response to a market condition."

Next, Appellant argues on pages 11-12 that Nordlicht's system is unified and that there is no possibility that a customer might not get the best price. Examiner reiterates from above that the features upon which applicant relies (i.e., marketplace is not unified) are not recited in the rejected claim(s). Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In*

*re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993). Further, a customer in Nordlicht's system may not get the best price if another exchange has a better price. Exchange Act teaches identifying a trade-through transactions on pages 30-31 as shown below. As stated below, brokers are required to monitor multiple exchanges for best quality execution.

VI. Costs and Benefits of Final Rules

Recent increases in the multiple listing of options classes previously listed on a single exchange have intensified the competition among the option exchanges and heightened the need to further integrate the options markets into the national market system. While the growth in multiple trading has increased the competition between markets, it also has dramatically altered the environment in which options market participants conduct their trading. In particular, multiple trading raises new best execution challenges for brokers. When an option is listed on only one exchange, brokers do not have to decide where to route an order, and consequently, satisfying their best execution obligations is less complex than when they must consider the relative merits of routing orders to two or more market centers. With as many as five options exchanges currently trading certain options classes, brokers are required to regularly and rigorously evaluate on a more frequent basis the execution quality available at each options exchange.

Directly relevant to a broker's ability to obtain best execution for its customers is the ability to get the best price available. The considerable growth in the number of options classes traded on more than one exchange has significantly increased the likelihood of intermarket trade-throughs. With the current expansion of multiple trading in options, the Commission is increasingly concerned about customer orders, which are sent to one exchange, and executed at prices that are inferior to quotes published by another market. As a result, the Commission believes that adoption of the Trade-Through Disclosure Rule and amendments to the Quote Rule are necessary at this time to encourage the removal of barriers to access to, and the use of efficient vehicles to reach, better prices on another market.

Next, Appellant argues that Nordlicht does not compare data. Examiner disagrees. Examiner acknowledges that Nordlicht does not disclose or discuss trade-at/ trade-through data (see rejection of claim 1, Final Office Action mailed on May 22, 2008). Examiner combined Nordlicht with Exchange Act to identify a trade-through transactions (see pages 5-6 of Final Office Action mailed on May 22, 2007). Next, Nordlicht displays, tabulates and compares transaction data in Figure 7A and in paragraphs 82-83 as shown below.

[0082] FIG. 7 depicts exemplary information that would be displayed in a view market window. The entries in this window may be sorted and filtered according to various criteria selected by the trader 50 using various techniques, such as the multi-layered pull-down menus illustrated in FIG. 3. Similarly, a history view window can be generated depicting trade history of one particular trader filtered for a particular date (i.e. 1/1/00), including all the relevant information regarding the trade. The trades illustrated in the history view can be selected and dragged into other windows, where functionally logical, toward placing a similar order in the active market.

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updates in place within the window. For each window, detailed information (ODS 600, OEC, ESL 602 and MDMs 604) may be viewed for each trade, as well as summary-only information. A view of the orders can also be sorted or filtered based on various parameters including option type, hedging information (expiration date, strike price, ask price, bid price). The view may also show summaries for all markets, or be filtered to show only markets where the trader has orders, or only markets where the user has orders at the money. The times displayed in these windows are relative to the time zone of market server 101. Orders displayed in these windows may be dragged and dropped into other windows where such transfer makes functional sense.

Also, Nordlicht mentions in several places the act of comparing data (see paragraphs 58, 86 and 137) as shown below.

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[0086] When a quote, order or market summary line is selected, the trader may double-click on that entry prompting trader client 200 to display an order entry card (FIG. 4) window automatically populated by trader client 200 with values calculated to optimally execute against the selected quote or order. The order entry window also provides means for the trade to hit the bid, lift the offer, change a bid price or quantity, change an ask price or quantity and/or save the order to the "potential order" window 238. Once one of the actions above is selected, the trader is then presented with a detailed display of the order to be submitted, which is reviewed and modified as desired and then the trader specifies the submit, replace, kill, or potential order actions.

[0137] Trader client 200 may also provide an API for a user to send the details of a potential order prior to submission to a third party analytics package. The third party package can calculate a bid and ask price then can be inserted into the order details. The user may then review the results, and submit the order.

**(11) Related Proceeding(s) Appendix**

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

This examiner's answer contains a new ground of rejection set forth in section **(9)** above. Accordingly, appellant must within **TWO MONTHS** from the date of this answer exercise one of the following two options to avoid *sua sponte dismissal of the appeal* as to the claims subject to the new ground of rejection:

(1) **Reopen prosecution.** Request that prosecution be reopened before the primary examiner by filing a reply under 37 CFR 1.111 with or without amendment, affidavit or other evidence. Any amendment, affidavit or other evidence must be relevant to the new grounds of rejection. A request that complies with 37 CFR 41.39(b)(1) will be entered and considered. Any request that prosecution be reopened will be treated as a request to withdraw the appeal.

(2) **Maintain appeal.** Request that the appeal be maintained by filing a reply brief as set forth in 37 CFR 41.41. Such a reply brief must address each new ground of rejection as set forth in 37 CFR 41.37(c)(1)(vii) and should be in compliance with the other requirements of 37 CFR 41.37(c). If a reply brief filed pursuant to 37 CFR 41.39(b)(2) is accompanied by any amendment, affidavit or other evidence, it shall be treated as a request that prosecution be reopened before the primary examiner under 37 CFR 41.39(b)(1).

Extensions of time under 37 CFR 1.136(a) are not applicable to the TWO MONTH time period set forth above. See 37 CFR 1.136(b) for extensions of time to reply for patent applications and 37 CFR 1.550(c) for extensions of time to reply for ex parte reexamination proceedings.

Respectfully submitted,

/Shahid R Merchant/

Examiner, Art Unit 3692

**A Technology Center Director or designee must personally approve the new ground(s) of rejection set forth in section (9) above by signing below:**

/Wynn Coggins/

Group Director TC 3600

Conferees:

Kambiz Abdi /K. A./

Supervisory Patent Examiner, Art Unit 3692

Vincent Millin /vm/

Appeal Practice Specialist TC 3600

